

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

**/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended OCTOBER 3, 2004

OR

**// TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 333-17827-01

ISP CHEMCO INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other Jurisdiction of
Incorporation or Organization)

51-0382622
(IRS Employer
Identification No.)

300 DELAWARE AVENUE, SUITE 303, WILMINGTON, DELAWARE
(Address of principal executive offices)

19801
(Zip Code)

(302) 427-5818
(Registrant's telephone number, including area code)

NONE
(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)
SEE TABLE OF ADDITIONAL REGISTRANTS

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No //

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes // No /X/

As of November 16, 2004, 100 shares of the registrant's common stock (par value \$.01 per share) were outstanding. There is no trading market for the common stock of the registrant. As of August 17, 2004, each of the additional registrants had the number of shares outstanding which is shown on the table below. There is no trading market for the common stock of the additional registrants. No shares of the registrant or the additional registrants were held by non-affiliates.

THE REGISTRANT AND THE ADDITIONAL REGISTRANTS MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND ARE THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

ADDITIONAL REGISTRANTS

Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	No. of Shares Outstanding	Commission File No./ I.R.S. Employer Identification No.	Address, including zip code and telephone number, including area code, of registrant's principal executive offices
ISP Chemicals Inc.	Delaware	10	333-70144-08/ 22-3807357	Route 95 Industrial Area, P.O. Box 37 Calvert City, KY 42029 (270) 395-4165
ISP Minerals Inc.	Delaware	10	333-70144-07/ 22-3807370	34 Charles Street Hagerstown, MD 21740 (301) 733-4000
ISP Technologies Inc.	Delaware	10	333-70144-09/ 22-3807372	4501 Attwater Avenue and State Highway 146 Texas City, TX 77590 (409) 945-3411

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

ISP CHEMCO INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	THIRD QUARTER ENDED		NINE MONTHS ENDED	
	OCTOBER 3, 2004	SEPT. 28, 2003	OCTOBER 3, 2004	SEPT. 28, 2003
	(THOUSANDS)			
Net sales.....	\$ 252,773	\$ 215,125	\$ 781,338	\$ 677,229
Cost of products sold.....	(166,648)	(140,506)	(502,270)	(440,314)
Selling, general and administrative..	(47,578)	(42,404)	(145,904)	(131,318)
Other operating charges.....	-	-	-	(1,451)
Amortization of intangible assets....	(336)	(144)	(775)	(432)
Operating income.....	38,211	32,071	132,389	103,714
Interest expense.....	(12,851)	(13,077)	(39,447)	(39,727)
Other expense, net.....	(1,598)	(1,983)	(6,110)	(1,908)
Income before income taxes and cumulative effect of change in accounting principle.....	23,762	17,011	86,832	62,079
Income taxes.....	(8,321)	(5,925)	(30,213)	(21,718)
Income before cumulative effect of change in accounting principle.....	15,441	11,086	56,619	40,361
Cumulative effect of change in accounting principle, net of income tax benefit of \$600.....	-	-	-	(1,021)
Net income.....	\$ 15,441	\$ 11,086	\$ 56,619	\$ 39,340
	=====	=====	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ISP CHEMCO INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	OCTOBER 3, 2004	DECEMBER 31, 2003
	-----	-----
	(THOUSANDS)	
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 35,246	\$ 56,426
Accounts receivable, trade, less allowance of \$6,490 and \$5,848 at October 3, 2004 and December 31, 2003, respectively.....	115,585	86,921
Accounts receivable, other.....	30,335	19,681
Receivables from related parties.....	16,187	12,508
Inventories.....	188,493	187,805
Deferred income tax assets.....	26,041	25,701
Prepaid expenses.....	5,564	5,777
	-----	-----
Total Current Assets.....	417,451	394,819
Property, plant and equipment, net.....	583,992	580,608
Goodwill, net of accumulated amortization of \$180,486	337,398	331,101
Intangible assets, net of accumulated amortization of \$1,925 and \$1,150 at October 3, 2004 and December 31, 2003, respectively.....	18,761	8,866
Long-term receivable from related party.....	33,561	32,116
Long-term loan receivable from related party.....	-	31,231
Other assets.....	62,961	57,479
	-----	-----
Total Assets.....	\$1,454,124	\$1,436,220
	=====	=====

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:		
Short-term debt.....	\$ 67	\$ 68
Current maturities of long-term debt.....	3,028	2,722
Loan payable to related party.....	15,000	-
Accounts payable.....	68,305	54,615
Accrued liabilities.....	71,959	89,023
Income taxes payable.....	23,915	33,263
	-----	-----
Total Current Liabilities.....	182,274	179,691
	-----	-----
Long-term debt less current maturities.....	649,927	620,473
	-----	-----
Deferred income tax liabilities.....	142,396	117,819
	-----	-----
Other liabilities.....	135,426	123,855
	-----	-----
Shareholder's Equity:		
Common stock, \$.01 par value per share; 1,000 shares authorized; 100 shares issued and outstanding	-	-
Additional paid-in capital.....	310,762	399,474
Retained earnings (accumulated deficit).....	34,746	(4,354)
Accumulated other comprehensive loss.....	(1,407)	(738)
	-----	-----
Total Shareholder's Equity.....	344,101	394,382
	-----	-----
Total Liabilities and Shareholder's Equity.....	\$1,454,124	\$1,436,220
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ISP CHEMCO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	NINE MONTHS ENDED	
	OCTOBER 3, 2004	SEPT. 28, 2003
	(THOUSANDS)	
Cash provided by (used in) operating activities:		
Net income.....	\$ 56,619	\$ 39,340
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	-	1,021
Depreciation.....	47,944	44,803
Amortization of intangible assets.....	775	432
Deferred income taxes.....	20,471	18,458
Increase in working capital items.....	(40,472)	(32,244)
Proceeds (repayments) from sale of accounts receivable.	3,930	(2,560)
Increase in receivables from related parties.....	(5,201)	(13,109)
Other, net.....	2,549	1,700
Net cash provided by operating activities.....	86,615	57,841
Cash used in investing activities:		
Capital expenditures and acquisitions.....	(74,940)	(49,659)
Net cash used in investing activities.....	(74,940)	(49,659)
Cash provided by (used in) financing activities:		
Decrease in short-term debt.....	(1)	(76)
Proceeds from issuance of debt.....	31,188	-
Repayments of long-term debt.....	(2,229)	(1,554)
Loan from related party.....	15,000	-
Increase in loan to related party.....	(7,760)	-
Debt issuance costs.....	(1,725)	-
Dividend to parent company.....	(67,163)	-
Capital contribution from parent company.....	-	1,451
Net cash used in financing activities.....	(32,690)	(179)
Effect of exchange rate fluctuations on cash and cash equivalents.....	(165)	3,001
Net change in cash and cash equivalents.....	(21,180)	11,004
Cash and cash equivalents, beginning of period.....	56,426	33,291
Cash and cash equivalents, end of period.....	\$ 35,246	\$ 44,295
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ISP CHEMCO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) - (CONTINUED)

	NINE MONTHS ENDED	
	OCTOBER 3, 2004	SEPT. 28, 2003
	(THOUSANDS)	
Supplemental Cash Flow Information:		
Cash paid during the period for:		
Interest (net of amount capitalized).....	\$ 49,566	\$ 49,242
Income taxes (including taxes paid pursuant to the Tax Sharing Agreement).....	16,173	375
Acquisitions:		
Estimated fair market value of assets acquired.....	\$ 30,421	\$ 8,997
Purchase price of acquisitions.....	27,280	8,564
Liabilities assumed.....	\$ 3,141	\$ 433
	=====	=====

Supplemental disclosure of financing activities:

In April 2004, the Company made \$39.0 million in dividends to its parent company, International Specialty Holdings Inc. In connection with these dividends, the Company's total long-term loan receivable of \$39.0 million from a related party was eliminated.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The consolidated financial statements for ISP Chemco Inc. (the "Company") reflect, in the opinion of management, all adjustments necessary to present fairly the financial position of the Company and its consolidated subsidiaries at October 3, 2004, and the results of operations and cash flows for the three and nine month periods ended October 3, 2004 and September 28, 2003. All adjustments are of a normal recurring nature. Certain amounts in the 2003 consolidated financial statements have been reclassified to conform to the 2004 presentation. These consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (the "2003 Form 10-K").

NOTE 1. AMENDED AND RESTATED SENIOR CREDIT FACILITIES

On April 2, 2004, the Company and three of its wholly owned subsidiaries amended and restated its June 2001 \$450.0 million senior secured credit facilities (the "Senior Credit Facilities"). The Senior Credit Facilities provide a \$250.0 million term loan with a maturity in March 2011, which replaced the \$225.0 million term loan that was due to mature in June 2008. In connection therewith, the Company borrowed an additional \$31.2 million to bring the outstanding balance of the term loan to \$250.0 million. The Senior Credit Facilities reduced the margin-based interest rate for term loan borrowings and amended financial covenant ratios, including the elimination of the minimum adjusted net worth covenant. For additional information relating to the Senior Credit Facilities, reference is made to Note 14 to consolidated financial statements contained in the 2003 Form 10-K.

On April 15, 2004, the \$225.0 million revolving credit facility under the Senior Credit Facilities, which was to terminate in June 2006, was reduced to \$200.0 million, including a borrowing capacity not in excess of \$50.0 million for letters of credit, and the maturity was extended to April 15, 2009. In addition, the margin-based interest rate for revolving credit borrowings was reduced.

NOTE 2. ACQUISITIONS

During the first quarter of 2004, the Company completed three acquisitions in Europe to further enhance the Company's global specialty chemicals business. The purchase price of the assets and businesses acquired totaled \$27.3 million in cash.

NOTE 3. NEW ACCOUNTING STANDARDS

In December 2003, the Financial Accounting Standards Board issued a revised FASB Interpretation ("FIN") No. 46R, "Consolidation of Variable Interest Entities," replacing FIN 46 which had originally been issued in January 2003. FIN No. 46R addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. The Company will be required to apply FIN 46R to variable interests in variable interest entities created after December 31, 2003. The Company does not currently have an interest in a variable interest entity. Therefore, FIN 46R will not have an immediate impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 3. NEW ACCOUNTING STANDARDS - (CONTINUED)

In May 2004, the FASB issued FASB Staff Position ("FSP") No. FAS 106-2 to provide guidance on accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") for employers that sponsor postretirement health care plans which provide prescription drug benefits. In addition, the FSP requires those employers to provide certain disclosures in their financial statements regarding the effect of the Act and the related subsidy on postretirement health obligations and net periodic postretirement benefit cost. The Company adopted the provisions of FSP FAS No. 106-2 effective for the quarterly period beginning July 5, 2004. The impact on the Company's financial statements was insignificant.

NOTE 4. COMPREHENSIVE INCOME

	Third Quarter Ended		Nine Months Ended	
	October 3, 2004	Sept. 28, 2003	October 3, 2004	Sept. 28, 2003
	(Thousands)			
Net income.....	\$ 15,441	\$ 11,086	\$ 56,619	\$ 39,340
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment....	2,783	(234)	(669)	9,363
Total other comprehensive income (loss).....	2,783	(234)	(669)	9,363
Comprehensive income.....	\$ 18,224	\$ 10,852	\$ 55,950	\$ 48,703
	=====	=====	=====	=====

Changes in the components of accumulated other comprehensive loss for the nine months ended October 3, 2004 are as follows:

	Cumulative Foreign Currency Translation Adjustment	Additional Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Loss
	(Thousands)		
Balance, December 31, 2003.....	\$ 5,382	\$ (6,120)	\$ (738)
Change for the period.....	(669)	-	(669)
Balance, October 3, 2004.....	\$ 4,713	\$ (6,120)	\$ (1,407)
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 5. INVENTORIES

Inventories comprise the following:

	October 3, 2004	December 31, 2003
	-----	-----
	(Thousands)	
Finished goods.....	\$110,345	\$113,227
Work-in-process.....	35,285	36,415
Raw materials and supplies....	42,863	38,163
	-----	-----
Inventories.....	\$188,493	\$187,805
	=====	=====

At October 3, 2004 and December 31, 2003, \$64.0 and \$62.7 million, respectively, of domestic inventories were valued using the LIFO method. If the FIFO inventory method had been used for these inventories, the value of inventories would have been \$6.7 and \$4.2 million higher at October 3, 2004 and December 31, 2003, respectively.

NOTE 6. GOODWILL AND INTANGIBLE ASSETS

The following schedule reconciles the changes in the carrying amount of goodwill, by business segment, for the nine months ended October 3, 2004.

	Specialty Chemicals	Industrial Chemicals	Mineral Products	Synthetic Elastomers	Total Goodwill
	-----	-----	-----	-----	-----
			(Thousands)		
Balance, December 31, 2003.....	\$ 279,562	\$ -	\$ 51,539	\$ -	\$ 331,101
Acquisitions and valuation adjustment.....	6,212	-	-	-	6,212
Translation adjustment.....	85	-	-	-	85
	-----	-----	-----	-----	-----
Balance, October 3, 2004.....	\$ 285,859	\$ -	\$ 51,539	\$ -	\$ 337,398
	=====	=====	=====	=====	=====

The following is information as of October 3, 2004 and December 31, 2003 related to the Company's acquired intangible assets:

		October 3, 2004		December 31, 2003	
	Range of Amortizable Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	-----	-----	-----	-----	-----
(Dollars in Thousands)					
Intangible assets subject to amortization:					
Patents.....	5- 20 years	\$ 669	\$ (155)	\$ 669	\$ (113)
Formulations.....	5- 10 years	2,740	(203)	-	-
Unpatented technology.....	10-15 years	1,100	(44)	-	-
Customer base.....	10-15 years	2,348	(105)	-	-
Non-compete agreements.....	2- 5 years	3,419	(1,327)	1,571	(971)
EPA registrations.....	5 years	166	(91)	166	(66)
		-----	-----	-----	-----
Total amortizable intangible assets.....		10,442	(1,925)	2,406	(1,150)
		-----	-----	-----	-----
Intangible assets not subject to amortization:					
Trademarks.....		5,596	-	2,962	-
EPA registrations.....		4,648	-	4,648	-
		-----	-----	-----	-----
Total unamortized intangible assets.....		10,244	-	7,610	-
		-----	-----	-----	-----
Total intangible assets.....		\$ 20,686	\$ (1,925)	\$ 10,016	\$ (1,150)
		-----	-----	-----	-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 6. GOODWILL AND INTANGIBLE ASSETS - (CONTINUED)

Estimated amortization expense:	(Thousands)
Year ended December 31,	-----
2004.....	\$ 1,100
2005.....	1,301
2006.....	1,301
2007.....	1,037
2008.....	1,037

NOTE 7. LOANS PAYABLE TO RELATED PARTY

In April 2004, the Company borrowed a total of \$34.0 million from a subsidiary of its parent company, International Specialty Holdings Inc., pursuant to two note agreements. One loan, for \$30.0 million, has a maturity date of October 30, 2004, and the second loan, for \$4.0 million has a maturity date of April 30, 2005. Interest is payable on each loan at the rate of 1.65% per annum. The balance of such loans outstanding at October 3, 2004 was \$15.0 million, which was repaid in October 2004.

NOTE 8. ASSET RETIREMENT OBLIGATIONS

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003. SFAS No. 143 established accounting and reporting standards for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and the normal operation of a long-lived asset. The Company holds long-lived assets that have legal obligations associated with their retirement, including deep wells that require capping, minerals quarries that require reclamation and other plant assets subject to certain environmental regulations. As a result of adopting SFAS No. 143, effective January 1, 2003, the Company recognized an after-tax charge of \$1.0 million (\$1.6 million before an income tax benefit of \$0.6 million) as the cumulative effect of a change in accounting principle, and recorded an asset retirement obligation of \$1.9 million and a net increase in property, plant and equipment of \$0.3 million.

NOTE 9. DIVIDENDS TO PARENT COMPANY

In April 2004, the Company dividended a total of \$106.2 million to its parent company, International Specialty Holdings Inc., including cash dividends of \$67.2 million. The dividends were accounted for as a charge to retained earnings of \$17.5 million and a charge to additional paid-in capital of \$88.7 million. In connection with these dividends, the Company's total long-term loan receivable of \$39.0 million from a related party was eliminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 10. OTHER OPERATING CHARGES

In February 2003, the Company's indirect parent company, International Specialty Products Inc., completed a going private transaction. As a result, the Company's stock-based compensation plans were terminated and payments were made in accordance with the terms of that transaction. Accordingly, holders of approximately 2.7 million vested, in-the-money stock options outstanding and exercisable on February 28, 2003 received cash amounts aggregating \$1.5 million that were recorded as compensation expense in the first quarter of 2003.

NOTE 11. BENEFIT PLANS

Defined Benefit Plans

The Company provides a noncontributory defined benefit retirement plan for certain hourly employees in the United States (the "Hourly Retirement Plan"). Benefits under this plan are based on stated amounts for each year of service. The Company's funding policy is consistent with the minimum funding requirements of ERISA.

ISP Marl GmbH, a wholly owned German subsidiary of the Company, provides a noncontributory defined benefit retirement plan for its hourly and salaried employees (the "ISP Marl Plan"). Benefits under this plan are based on average earnings over each employee's career with the Company.

The Company's net periodic pension cost for the third quarter and first nine months of 2004 and 2003 for the Hourly Retirement Plan included the following components:

	Third Quarter Ended		Nine Months Ended	
	October 3, 2004	Sept. 28, 2003	October 3, 2004	Sept. 28, 2003
	(Thousands)			
Service cost.....	\$ 69	\$ 60	\$ 207	\$ 180
Interest cost.....	523	525	1,569	1,574
Expected return on plan assets.....	(736)	(716)	(2,208)	(2,148)
Amortization of actuarial losses.....	126	98	378	294
Amortization of unrecognized prior service cost.....	60	69	180	208
Net periodic pension cost.....	\$ 42	\$ 36	\$ 126	\$ 108
	=====	=====	=====	=====

The Company's net periodic pension cost for the third quarter and first nine months of 2004 and 2003 for the ISP Marl Plan included the following components:

	Third Quarter Ended		Nine Months Ended	
	October 3, 2004	Sept. 28, 2003	October 3, 2004	Sept. 28, 2003
	(Thousands)			
Service cost.....	\$ 23	\$ 20	\$ 69	\$ 60
Interest cost.....	48	39	144	117
Amortization of unrecognized prior service cost.....	1	1	3	3
Net periodic pension cost.....	\$ 72	\$ 60	\$ 216	\$ 180
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 11. BENEFIT PLANS - (CONTINUED)

Postretirement Medical and Life Insurance

The Company generally does not provide postretirement medical and life insurance benefits, although it subsidizes such benefits for certain employees and certain retirees.

The net periodic postretirement benefit (income) cost for the third quarter and first nine months of 2004 and 2003 included the following components:

	Third Quarter Ended		Nine Months Ended	
	October 3, 2004	Sept. 28, 2003	October 3, 2004	Sept. 28, 2003
	(Thousands)			
Service cost.....	\$ (9)	\$ 32	\$ 8	\$ 96
Interest cost.....	75	156	281	467
Amortization of actuarial (gains) losses.	(33)	7	(66)	21
Amortization of unrecognized prior service cost.....	(71)	(71)	(213)	(213)
Net periodic postretirement benefit (income) cost.....	\$ (38)	\$ 124	\$ 10	\$ 371
	=====	=====	=====	=====

NOTE 12. BUSINESS SEGMENT INFORMATION

	Third Quarter Ended		Nine Months Ended	
	October 3, 2004	Sept. 28, 2003	October 3, 2004	Sept. 28, 2003
	(Thousands)			
Net sales:				
Specialty Chemicals.....	\$ 168,725	\$ 153,464	\$ 532,979	\$ 470,378
Industrial Chemicals.....	50,521	35,047	148,283	128,574
Mineral Products (1).....	33,527	26,614	100,076	78,277
Net sales.....	\$ 252,773	\$ 215,125	\$ 781,338	\$ 677,229
	=====	=====	=====	=====
Operating income (loss):				
Specialty Chemicals.....	\$ 33,760	\$ 29,760	\$ 121,564	\$ 96,697
Industrial Chemicals.....	(736)	(1,221)	(2,322)	(5,342)
Mineral Products.....	5,528	3,496	13,580	12,233
Total segment operating income.....	38,552	32,035	132,822	103,588
Unallocated corporate office.....	(341)	36	(433)	126
Total operating income.....	38,211	32,071	132,389	103,714
Interest expense and other expense, net.....	(14,449)	(15,060)	(45,557)	(41,635)
Income before income taxes and cumulative effect of change in accounting principle..	\$ 23,762	\$ 17,011	\$ 86,832	\$ 62,079
	=====	=====	=====	=====

(1) Includes sales to Building Materials Corporation of America, an affiliate, and its subsidiaries, of \$24.2 and \$19.5 million for the third quarter of 2004 and 2003, respectively, and \$73.3 and \$59.2 million for the first nine months of 2004 and 2003, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 13. GUARANTOR FINANCIAL INFORMATION

In 2001, the Company and three of its wholly owned subsidiaries jointly issued, in three separate transactions, a total of \$405.0 million aggregate principal amount of 10 1/4% Senior Subordinated Notes due 2011 (the "2011 Notes"). The 2011 Notes are guaranteed by all of the Company's domestic subsidiaries, other than certain immaterial subsidiaries and the Company's accounts receivable financing subsidiary. These guarantees are full, unconditional and joint and several.

ISP Global Technologies Inc., which is a guarantor of the 2011 Notes, is party to a License and Royalty Agreement with non-guarantor foreign affiliates. Under this agreement, ISP Global Technologies granted a license to certain non-guarantor foreign affiliates for the use of the Patent Rights, Know-how and Trademarks in connection with the manufacture, use and sale of the Company's products.

Presented below is condensed consolidating financial information for the Company, the guarantor subsidiaries and the non-guarantor subsidiaries. This financial information should be read in conjunction with the consolidated financial statements and other notes related thereto.

ISP CHEMCO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 13. GUARANTOR FINANCIAL INFORMATION - (CONTINUED)

ISP CHEMCO INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
THIRD QUARTER ENDED OCTOBER 3, 2004
(THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales.....	\$ -	\$ 118,097	\$ 134,676	\$ -	\$ 252,773
Intercompany net sales.....	-	61,187	4,471	(65,658)	-
Total net sales.....	-	179,284	139,147	(65,658)	252,773
Cost of products sold.....	-	(132,049)	(100,257)	65,658	(166,648)
Selling, general and administrative.....	-	(28,414)	(19,164)	-	(47,578)
Amortization of intangible assets.....	-	(336)	-	-	(336)
Operating income.....	-	18,485	19,726	-	38,211
Equity in income of subsidiaries.....	16,465	-	-	(16,465)	-
Intercompany royalty income (expense).....	-	9,953	(9,953)	-	-
Intercompany dividend income.....	-	1,436	-	(1,436)	-
Interest income (expense), net.....	635	(14,031)	545	-	(12,851)
Other expense, net.....	(1)	(1,535)	(62)	-	(1,598)
Income before income taxes.....	17,099	14,308	10,256	(17,901)	23,762
Income taxes.....	(222)	(6,135)	(1,964)	-	(8,321)
Net income.....	\$ 16,877	\$ 8,173	\$ 8,292	\$ (17,901)	\$ 15,441

ISP CHEMCO INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
THIRD QUARTER ENDED SEPTEMBER 28, 2003
(THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales.....	\$ -	\$ 104,870	\$ 110,255	\$ -	\$ 215,125
Intercompany net sales.....	-	55,860	2,224	(58,084)	-
Total net sales.....	-	160,730	112,479	(58,084)	215,125
Cost of products sold.....	-	(118,366)	(80,224)	58,084	(140,506)
Selling, general and administrative.....	-	(23,985)	(18,419)	-	(42,404)
Amortization of intangible assets.....	-	(144)	-	-	(144)
Operating income.....	-	18,235	13,836	-	32,071
Equity in income of subsidiaries.....	10,641	-	-	(10,641)	-
Intercompany royalty income (expense), net.....	-	8,241	(8,241)	-	-
Intercompany dividend income.....	-	60	-	(60)	-
Interest income (expense), net.....	779	(14,553)	697	-	(13,077)
Other expense, net.....	(1)	(471)	(1,511)	-	(1,983)
Income before income taxes.....	11,419	11,512	4,781	(10,701)	17,011
Income taxes.....	(273)	(3,302)	(2,350)	-	(5,925)
Net income.....	\$ 11,146	\$ 8,210	\$ 2,431	\$ (10,701)	\$ 11,086

ISP CHEMCO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 13. GUARANTOR FINANCIAL INFORMATION - (CONTINUED)

ISP CHEMCO INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
NINE MONTHS ENDED OCTOBER 3, 2004
(THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales.....	\$ -	\$ 366,444	\$ 414,894	\$ -	\$ 781,338
Intercompany net sales.....	-	183,833	12,981	(196,814)	-
Total net sales.....	-	550,277	427,875	(196,814)	781,338
Cost of products sold.....	-	(404,391)	(294,693)	196,814	(502,270)
Selling, general and administrative.....	-	(90,172)	(55,732)	-	(145,904)
Amortization of intangible assets.....	-	(775)	-	-	(775)
Operating income.....	-	54,939	77,450	-	132,389
Equity in income of subsidiaries.....	59,897	-	-	(59,897)	-
Intercompany royalty income (expense).....	-	31,357	(31,357)	-	-
Intercompany dividend income.....	-	4,611	-	(4,611)	-
Interest income (expense), net.....	2,056	(43,199)	1,696	-	(39,447)
Other expense, net.....	(5)	(3,760)	(2,345)	-	(6,110)
Income before income taxes.....	61,948	43,948	45,444	(64,508)	86,832
Income taxes.....	(718)	(21,351)	(8,144)	-	(30,213)
Net income.....	\$ 61,230	\$ 22,597	\$ 37,300	\$ (64,508)	\$ 56,619

ISP CHEMCO INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 28, 2003
(THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales.....	\$ -	\$ 321,510	\$ 355,719	\$ -	\$ 677,229
Intercompany net sales.....	-	171,216	8,662	(179,878)	-
Total net sales.....	-	492,726	364,381	(179,878)	677,229
Cost of products sold.....	-	(356,402)	(263,790)	179,878	(440,314)
Selling, general and administrative.....	-	(81,479)	(49,839)	-	(131,318)
Other operating charges.....	-	(1,376)	(75)	-	(1,451)
Amortization of intangible assets.....	-	(432)	-	-	(432)
Operating income.....	-	53,037	50,677	-	103,714
Equity in income of subsidiaries.....	41,021	-	-	(41,021)	-
Intercompany royalty income (expense), net.....	-	26,293	(26,293)	-	-
Intercompany dividend income.....	-	3,270	-	(3,270)	-
Interest income (expense), net.....	2,448	(44,073)	1,898	-	(39,727)
Other income (expense), net.....	(4)	(3,552)	1,648	-	(1,908)
Income before income taxes and cumulative effect of change in accounting principle.....	43,465	34,975	27,930	(44,291)	62,079
Income taxes.....	(855)	(14,271)	(6,592)	-	(21,718)
Income before cumulative effect of change in accounting principle.....	42,610	20,704	21,338	(44,291)	40,361
Cumulative effect of change in accounting principle, net of income tax benefit of \$600	-	(583)	(438)	-	(1,021)
Net income	\$ 42,610	\$ 20,121	\$ 20,900	\$ (44,291)	\$ 39,340

ISP CHEMCO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 13. GUARANTOR FINANCIAL INFORMATION - (CONTINUED)

ISP CHEMCO INC.
CONDENSED CONSOLIDATING BALANCE SHEET
OCTOBER 3, 2004
(THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	-----	-----	-----	-----	-----
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 3	\$ 11,400	\$ 23,843	\$ -	\$ 35,246
Accounts receivable, trade, net.....	-	6,059	109,526		115,585
Accounts receivable, other.....	-	3,025	27,310		30,335
Receivables from related parties.....	182	16,005	-		16,187
Inventories.....	-	108,272	80,221		188,493
Deferred income tax assets.....	-	21,420	4,621		26,041
Prepaid expenses.....	-	3,612	1,952		5,564
	-----	-----	-----	-----	-----
Total Current Assets.....	185	169,793	247,473	-	417,451
Investment in subsidiaries.....	307,822	248,811	-	(556,633)	-
Intercompany loans.....	16,021	(7,679)	(8,342)		-
Due from (to) subsidiaries, net.....	-	15,934	(15,934)		-
Property, plant and equipment, net.....	-	494,907	89,085		583,992
Goodwill.....	89,931	240,927	6,540		337,398
Intangible assets, net.....	-	18,761	-		18,761
Long-term receivable from related party...	-	-	33,561		33,561
Other assets.....	-	62,516	445		62,961
	-----	-----	-----	-----	-----
Total Assets.....	\$413,959	\$1,243,970	\$ 352,828	\$ (556,633)	\$1,454,124
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current Liabilities:					
Short-term debt.....	\$ -	\$ -	\$ 67	\$ -	\$ 67
Current maturities of long-term debt...	-	2,884	144		3,028
Loan payable to related party.....	-	-	15,000		15,000
Accounts payable.....	-	31,898	36,407		68,305
Accrued liabilities.....	-	49,137	22,822		71,959
Income taxes payable.....	12,488	3,574	7,853		23,915
	-----	-----	-----	-----	-----
Total Current Liabilities.....	12,488	87,493	82,293	-	182,274
Long-term debt less current maturities ...	-	649,501	426		649,927
Deferred income tax liabilities.....	-	126,681	15,715		142,396
Other liabilities.....	57,370	72,473	5,583		135,426
Total Shareholder's Equity.....	344,101	307,822	248,811	(556,633)	344,101
	-----	-----	-----	-----	-----
Total Liabilities and Shareholder's Equity.....	\$413,959	\$1,243,970	\$ 352,828	\$ (556,633)	\$1,454,124
	=====	=====	=====	=====	=====

ISP CHEMCO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 13. GUARANTOR FINANCIAL INFORMATION - (CONTINUED)

ISP CHEMCO INC.
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2003
(THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	-----	-----	-----	-----	-----
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 5	\$ 29,009	\$ 27,412	\$ -	\$ 56,426
Accounts receivable, trade, net.....	-	2,807	84,114		86,921
Accounts receivable, other.....	-	3,152	16,529		19,681
Receivables from related parties.....	183	12,795	(470)		12,508
Inventories.....	-	102,364	85,441		187,805
Deferred income tax assets.....	-	21,421	4,280		25,701
Prepaid expenses.....	-	3,847	1,930		5,777
	-----	-----	-----	-----	-----
Total Current Assets.....	188	175,395	219,236	-	394,819
Investment in subsidiaries.....	367,837	223,261	-	(591,098)	-
Intercompany loans.....	16,021	(8,185)	(7,836)		-
Due from (to) subsidiaries, net.....	-	41,670	(41,670)		-
Property, plant and equipment, net.....	-	494,451	86,157		580,608
Goodwill.....	89,931	235,775	5,395		331,101
Intangible assets, net.....	-	8,866	-		8,866
Long-term receivable from related party...	-	-	32,116		32,116
Long-term loan receivable from related party.....	-	31,231	-		31,231
Other assets.....	-	56,912	567		57,479
	-----	-----	-----	-----	-----
Total Assets.....	\$473,977	\$1,259,376	\$ 293,965	\$ (591,098)	\$1,436,220
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current Liabilities:					
Short-term debt.....	\$ -	\$ -	\$ 68	\$ -	\$ 68
Current maturities of long-term debt...	-	2,715	7		2,722
Accounts payable.....	-	29,103	25,512		54,615
Accrued liabilities.....	-	67,591	21,432		89,023
Income taxes payable.....	21,350	3,489	8,424		33,263
	-----	-----	-----	-----	-----
Total Current Liabilities.....	21,350	102,898	55,443	-	179,691
Long-term debt less current maturities ...	-	620,447	26		620,473
Deferred income tax liabilities.....	-	103,847	13,972		117,819
Other liabilities.....	58,245	64,347	1,263		123,855
Total Shareholder's Equity.....	394,382	367,837	223,261	(591,098)	394,382
	-----	-----	-----	-----	-----
Total Liabilities and Shareholder's Equity.....	\$473,977	\$1,259,376	\$ 293,965	\$ (591,098)	\$1,436,220
	=====	=====	=====	=====	=====

ISP CHEMCO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 13. GUARANTOR FINANCIAL INFORMATION - (CONTINUED)

ISP CHEMCO INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW
NINE MONTHS ENDED OCTOBER 3, 2004
(THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Cash provided by (used in) operating activities:				
Net income.....	\$ (3,278)	\$ 22,597	\$ 37,300	\$ 56,619
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation.....	-	37,533	10,411	47,944
Amortization of intangible assets.....	-	775	-	775
Deferred income taxes.....	-	19,069	1,402	20,471
Increase in working capital items.....	(5,096)	(22,457)	(12,919)	(40,472)
Proceeds from sale of accounts receivable.....	-	-	3,930	3,930
Increase in receivables from related parties.....	1	(3,287)	(1,915)	(5,201)
Change in amounts due to (from) subsidiaries.....	-	25,736	(25,736)	-
Change in investment in and advances to affiliates.....	9,246	(2,776)	(6,470)	-
Other, net.....	(875)	3,636	(212)	2,549
Net cash provided by (used in) operating activities.....	(2)	80,826	5,791	86,615
Cash used in investing activities:				
Capital expenditures and acquisitions.....	-	(54,920)	(20,020)	(74,940)
Net cash used in investing activities.....	-	(54,920)	(20,020)	(74,940)
Cash provided by (used in) financing activities:				
Decrease in short-term debt.....	-	-	(1)	(1)
Proceeds from issuance of debt.....	-	31,188	-	31,188
Repayments of long-term debt.....	-	-	(69)	(2,229)
Loan from related party.....	-	-	15,000	15,000
Increase in loan to related party.....	-	(7,760)	-	(7,760)
(Increase) decrease in intercompany loans.....	-	(506)	506	-
Debt issuance costs.....	-	(1,725)	-	(1,725)
Intercompany dividends.....	67,163	(62,552)	(4,611)	-
Dividend to parent company.....	(67,163)	-	-	(67,163)
Net cash provided by (used in) financing activities.....	-	(43,515)	10,825	(32,690)
Effect of exchange rate fluctuations on cash and cash equivalents.....	-	-	(165)	(165)
Net change in cash and cash equivalents.....	(2)	(17,609)	(3,569)	(21,180)
Cash and cash equivalents, beginning of period.....	5	29,009	27,412	56,426
Cash and cash equivalents, end of period.....	\$ 3	\$ 11,400	\$ 23,843	\$ 35,246

ISP CHEMCO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 13. GUARANTOR FINANCIAL INFORMATION - (CONTINUED)

ISP CHEMCO INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW
NINE MONTHS ENDED SEPTEMBER 28, 2003
(THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
	-----	-----	-----	-----
Cash provided by (used in) operating activities:				
Net income.....	\$ (1,681)	\$ 20,121	\$ 20,900	\$ 39,340
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Cumulative effect of change in accounting principle.	-	583	438	1,021
Depreciation.....	-	36,144	8,659	44,803
Amortization of intangible assets.....	-	432	-	432
Deferred income taxes.....	-	13,773	4,685	18,458
(Increase) decrease in working capital items.....	1,839	(16,176)	(17,907)	(32,244)
Proceeds (repayments) from sale of accounts receivable.	-	-	(2,560)	(2,560)
Increase in receivable from related parties.....	(215)	(385)	(12,509)	(13,109)
Change in amounts due to (from) subsidiaries.....	-	(2,665)	2,665	-
Change in investment in and advances to affiliates.....	(1,353)	(10,365)	11,718	-
Other, net.....	(40)	584	1,156	1,700
	-----	-----	-----	-----
Net cash provided by (used in) operating activities.....	(1,450)	42,046	17,245	57,841
	-----	-----	-----	-----
Cash used in investing activities:				
Capital expenditures and acquisition.....	-	(32,638)	(17,021)	(49,659)
	-----	-----	-----	-----
Net cash used in investing activities.....	-	(32,638)	(17,021)	(49,659)
	-----	-----	-----	-----
Cash provided by (used in) financing activities:				
Decrease in short-term debt.....	-	-	(76)	(76)
Repayments of long-term debt.....	-	(1,577)	23	(1,554)
(Increase) decrease in intercompany loans.....	-	(7,967)	7,967	-
Intercompany dividends.....	-	3,270	(3,270)	-
Capital contribution from parent company.....	1,451	-	-	1,451
	-----	-----	-----	-----
Net cash provided by (used in) financing activities.....	1,451	(6,274)	4,644	(179)
	-----	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents.....	-	-	3,001	3,001
	-----	-----	-----	-----
Net change in cash and cash equivalents.....	1	3,134	7,869	11,004
Cash and cash equivalents, beginning of period.....	6	17,735	15,550	33,291
	-----	-----	-----	-----
Cash and cash equivalents, end of period.....	\$ 7	\$ 20,869	\$ 23,419	\$ 44,295
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)

NOTE 14. CONTINGENCIES

For information regarding contingencies, reference is made to Note 22 to consolidated financial statements contained in the 2003 Form 10-K.

Environmental Litigation

The Company, together with other companies, is a party to a variety of proceedings and lawsuits involving environmental matters ("Environmental Claims") under the Comprehensive Environmental Response Compensation and Liability Act, Resource Conservation and Recovery Act and similar state laws, in which recovery is sought for the cost of cleanup of contaminated sites or remedial obligations are imposed. A number of these Environmental Claims are in the early stages or have been dormant for protracted periods.

While the Company cannot predict whether adverse decisions or events can occur in the future, in the opinion of the Company's management, the resolution of the Environmental Claims should not be material to the business, liquidity, results of operations, cash flows or financial position of the Company. However, adverse decisions or events, particularly as to increases in remedial costs, discovery of new contamination, assertion of natural resource damages, plans for development of the Company's Linden, New Jersey property, and the liability and the financial responsibility of the Company's insurers and of the other parties involved at each site and their insurers, could cause the Company to increase its estimate of its liability or decrease its estimate of insurance recoveries in respect of those matters. It is not currently possible to estimate the amount or range of any additional liability.

Tax Claim Against G-I Holdings Inc.

The predecessor of ISP and certain of its domestic subsidiaries were parties to tax sharing agreements with members of a consolidated group for Federal income tax purposes that included G-I Holdings Inc. (the "G-I Holdings Group") in certain prior years. Until January 1, 1997, ISP and its domestic subsidiaries were included in the consolidated Federal income tax returns of the G-I Holdings Group and, accordingly, would be severally liable for any tax liability of the G-I Holdings Group in respect of those prior years. Those tax sharing agreements are no longer applicable with respect to the tax liabilities of ISP for periods subsequent to January 1, 1997, because neither the Company nor any of its domestic subsidiaries are members of the G-I Holdings Group for periods after January 1, 1997. In January 2001, G-I Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related bodily injury claims relating to the inhalation of asbestos fiber.

On September 15, 1997, G-I Holdings received a notice from the Internal Revenue Service ("IRS") of a deficiency in the amount of \$84.4 million (after taking into account the use of net operating losses and foreign tax credits otherwise available for use in later years) in connection with the formation in 1990 of Rhone-Poulenc Surfactants and Specialties, L.P. (the "surfactants partnership"), a partnership in which G-I Holdings held an interest. On September 21, 2001, the IRS filed a proof of claim with respect to such deficiency in the G-I Holdings bankruptcy against G-I Holdings and ACI Inc., a subsidiary of G-I Holdings which also held an interest in the surfactants partnership and also has

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (CONTINUED)**NOTE 14. CONTINGENCIES - (CONTINUED)**

filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. If the proof of claim is sustained, ISP and/or certain of its subsidiaries together with G-I Holdings and several current and former subsidiaries of G-I Holdings would be severally liable for taxes and interest in the amount of approximately \$291 million, computed as of October 3, 2004. On May 7, 2002, G-I Holdings, together with ACI Inc., filed an objection to the proof of claim, which objection will be heard by the United States District Court for the District of New Jersey overseeing the G-I Holdings bankruptcy. G-I Holdings has advised the Company that it believes that it will prevail in this tax matter involving the surfactants partnership, although there can be no assurance in this regard. The Company believes that the ultimate disposition of this matter will not have a material adverse effect on its business, financial position or results of operations. For additional information relating to G-I Holdings, reference is made to Notes 8 and 22 to consolidated financial statements contained in the 2003 Form 10-K.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated by the context, "we," "us" and "our" refer to ISP Chemco Inc. and its consolidated subsidiaries.

CRITICAL ACCOUNTING POLICIES

There have been no significant changes in our critical accounting policies during the first nine months of 2004. For a discussion of our critical accounting policies, reference is made to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

RESULTS OF OPERATIONS - THIRD QUARTER 2004 COMPARED WITH

THIRD QUARTER 2003

Overview

We recorded net income of \$15.4 million for the third quarter of 2004 compared with net income of \$11.1 million in the third quarter of 2003. The improved results for the third quarter of 2004 were attributable to significantly higher operating income.

Net Sales. Net sales by business segment for the third quarter of 2004 and 2003 were:

	Third Quarter Ended	
	October 3, 2004	Sept. 28, 2003
	(Millions)	
Specialty chemicals.....	\$ 168.7	\$ 153.5
Industrial chemicals.....	50.5	35.0
Mineral products.....	33.6	26.6
Net sales.....	\$ 252.8	\$ 215.1
	=====	=====

Net sales for the third quarter of 2004 were \$252.8 million compared with \$215.1 million in the third quarter of 2003. The \$37.7 million (18%) increase in sales resulted from higher unit volumes in all business segments (totaling \$32.4 million) and the favorable impact of the weaker U.S. dollar (\$5.2 million), primarily in Europe. Specialty chemicals sales also benefited from the three acquisitions made during the first quarter of 2004.

Gross Margin. Our gross margin in the third quarter of 2004 was 34.1% compared with 34.7% in the third quarter of 2003. The overall margin was reduced due to a lower margin for the industrial chemicals segment, which decreased to 11.2% from 13.9% in the third quarter of 2003 primarily due to the adverse impact of the stronger Euro on European-based manufacturing costs. The gross margin for the specialty chemicals segment increased to 42.4% in the third quarter of 2004 from 41.5% in the same period of 2003 as a result of the favorable impact of higher volumes and the weaker U.S. dollar, partially offset by higher manufacturing costs, while the gross margin for the mineral

products segment increased to 26.4% from 23.0% in the third quarter of 2003 as a result of favorable pricing and the impact of higher unit volumes.

Selling, General and Administrative. Selling, general and administrative expenses increased 12% in the third quarter of 2004 to \$47.6 million from \$42.4 million in the third quarter of 2003, however, as a percent of sales, decreased to 18.8% from 19.7% in the third quarter of 2003. The increase in selling, general and administrative expenses in the third quarter of 2004 related primarily to higher selling and distribution costs as a result of the higher sales levels.

Operating Income. Operating income (loss) by business segment for the third quarter of 2004 and 2003 was:

	Third Quarter Ended	
	October 3, 2004	Sept. 28, 2003
	(Millions)	
Specialty chemicals.....	\$ 33.8	\$ 29.8
Industrial chemicals.....	(0.7)	(1.2)
Mineral products.....	5.5	3.5
Total segment operating income.....	38.6	32.1
Unallocated corporate office items.....	(0.4)	-
Operating income.....	\$ 38.2	\$ 32.1
	=====	=====

Operating income for the third quarter of 2004 was \$38.2 million, a 19% increase compared with \$32.1 million in the third quarter of 2003. Operating income for the specialty chemicals segment was \$33.8 million for the third quarter of 2004, a 13% improvement compared with \$29.8 million in the third quarter of 2003. The improved results were attributable to higher unit volumes in the personal care product line and an improved product mix and manufacturing efficiencies achieved in the fine chemicals product line. Operating income for the specialty chemicals segment in the third quarter of 2004 was also favorably impacted by the weaker U.S. dollar and, to a lesser extent, by the contribution to income from the three specialty chemical niche acquisitions made during the first quarter of 2004 (see "-Liquidity and Financial Condition" below).

The industrial chemicals segment recorded an operating loss of \$0.7 million in the third quarter of 2004 compared with an operating loss of \$1.2 million in the third quarter of 2003. The results were attributable to favorable unit volumes and pricing, partially offset by the adverse impact of the stronger Euro on European-based manufacturing costs.

Operating income for the mineral products segment was \$5.5 million in the third quarter of 2004 compared with \$3.5 million in the third quarter of 2003. The 57% improvement in operating income from the third quarter of 2003 was due to higher unit volumes and favorable pricing, partially offset by increased manufacturing costs and higher freight and distribution expenses.

Interest Expense. Interest expense for the third quarter of 2004 was \$12.9 million compared with \$13.1 million in the same period in 2003. The lower interest expense was attributable to lower average interest rates (\$0.5 million impact), partially offset by higher average borrowings (\$0.3 million impact), both as a result of the refinancing of our senior secured credit facility in April 2004 (see "-Liquidity and Financial Condition" below).

Other Expense, net. Other expense, net, comprises foreign exchange gains/losses resulting from the revaluation of foreign currency-denominated accounts receivable and payable as a result of changes in exchange rates, and other nonoperating items of expense. Other expense, net, was \$1.6 million in the third quarter of 2004 compared with \$2.0 million in the third quarter of 2003.

Income Taxes. In the third quarter of 2004, we recorded a provision for income taxes of \$8.3 million. Our effective tax rate for the third quarter of 2004 was 35.0%, which was consistent with an effective tax rate of 34.8% in the third quarter of 2003.

Business Segment Review

A discussion of operating results for each of our business segments follows. We operate our business through three reportable business segments:

specialty chemicals; industrial chemicals; and mineral products.

Specialty Chemicals

Sales in the third quarter of 2004 were \$168.7 million compared with \$153.5 million in the same period in 2003. The 10% increase in sales was mainly attributable to higher unit volumes (\$15.1 million), primarily in the personal care and performance chemicals product lines. The favorable impact of the weaker U.S. dollar (\$3.6 million), primarily in Europe, also benefited sales. The personal care product line experienced strong volume growth in its skin care and oral care markets in Europe and North America. Sales for the performance chemicals, food and personal care product lines also benefited from the three acquisitions made during the first quarter of 2004.

Operating income for the specialty chemicals segment improved 13% to \$33.8 million for the third quarter of 2004 compared with \$29.8 million in the third quarter of 2003. The improved results were attributable to the favorable effect of higher unit volumes (totaling \$10.6 million), mainly in the personal care and performance chemicals product lines, and an improved product mix and manufacturing efficiencies achieved in the fine chemicals product line. Operating income for the specialty chemicals segment in the third quarter of 2004 was also favorably impacted by the weaker U.S. dollar (\$1.2 million) and, to a lesser extent, from the contribution to income from the three acquisitions made during the first quarter of 2004. Partially offsetting these favorable factors was unfavorable pricing (\$3.5 million) across all product lines and higher manufacturing costs in all product lines other than fine chemicals (totaling \$3.6 million).

Industrial Chemicals

Sales in the third quarter of 2004 were \$50.5 million compared with \$35.0 million in the third quarter of 2003. The 44% increase in sales resulted from higher unit volumes (\$12.5 million), favorable pricing (\$1.4 million) and by the favorable effect of the weaker U.S. dollar (\$1.6 million).

The industrial chemicals segment recorded an operating loss of \$0.7 million in the third quarter of 2004 compared with an operating loss of \$1.2 million in the third quarter of 2003. The results were attributable to the favorable impact of higher unit volumes and favorable pricing (totaling \$2.4 million), partially offset by the adverse impact of the stronger Euro on European-based manufacturing costs.

Mineral Products

Sales for the mineral products segment for the third quarter of 2004 were \$33.6 million compared with \$26.6 million for the third quarter of 2003. The 26% increase was due to higher unit volumes (\$4.8 million) as a result of industry-wide growth and also favorable pricing (\$2.1 million). The sales growth included 24% higher sales to Building Materials Corporation of America, an affiliate which we refer to as "BMCA."

Operating income for the mineral products segment was \$5.5 million in the third quarter of 2004 compared with \$3.5 million for the third quarter of 2003. The 57% improvement from the third quarter of 2003 was primarily due to the impact of the higher unit volumes and favorable pricing (totaling \$3.4 million), partially offset by increased manufacturing costs and higher freight and distribution expenses (totaling \$1.4 million).

RESULTS OF OPERATIONS - FIRST NINE MONTHS 2004 COMPARED WITH

FIRST NINE MONTHS 2003

Overview

We recorded net income of \$56.6 million for the first nine months of 2004 compared with net income of \$39.3 million in the first nine months of 2003. The improved results for the first nine months of 2004 were attributable to significantly higher operating income. Net income for the first nine months 2003 included a \$1.0 million after-tax charge for the cumulative effect of a change in accounting principle from the adoption of Statement of Financial Accounting Standards, which we refer to as "SFAS," No. 143, "Accounting for Asset Retirement Obligations."

Net Sales. Net sales by business segment for the first nine months of 2004 and 2003 were:

	Nine Months Ended	
	October 3, 2004	Sept. 28, 2003
	(Millions)	
Specialty chemicals.....	\$ 533.0	\$ 470.4
Industrial chemicals.....	148.3	128.5
Mineral products.....	100.1	78.3
Net sales.....	\$ 781.3	\$ 677.2
	=====	=====

Net sales for the first nine months of 2004 were \$781.3 million compared with \$677.2 million in the first nine months of 2003. The \$104.1 million (15%) increase in sales resulted primarily from higher unit volumes in all business segments (totaling \$84.4 million). The favorable impact of the weaker U.S. dollar (\$25.8 million), primarily in Europe, also benefited sales.

Gross Margin. Our gross margin in the first nine months of 2004 was 35.7% compared with 35.0% in the first nine months of 2003. The gross margin for the specialty chemicals segment increased to 44.5% in the first nine months of 2004 from 43.1% in the same period of 2003 as a result of the favorable impact of higher volumes and the weaker U.S. dollar, partially offset by unfavorable pricing. Also, the gross margin for the industrial chemicals segment increased to 11.5% in the first nine months of 2004 from 10.7% in the same period of 2003 due to higher unit volumes and manufacturing efficiencies, partially

offset by the adverse impact of the stronger Euro on European-based manufacturing costs. The overall improved margin was adversely impacted by a lower gross margin for the mineral products segment, which decreased to 24.9% from 26.2% in the first nine months of 2003 as a result of higher manufacturing costs.

Selling, General and Administrative. Selling, general and administrative expenses increased 11% in the first nine months of 2004 to \$145.9 million from \$131.3 million in the first nine months of 2003, however, as a percent of sales, decreased to 18.7% from 19.4% in the first nine months of 2003. The increase in selling, general and administrative expenses in the first nine months of 2004 related primarily to higher selling and distribution costs as a result of the higher sales levels.

Other operating charges. Other operating charges of \$1.5 million in the first nine months of 2003 represented a charge for compensation expense for stock option payments related to ISP's going private transaction in February 2003.

Operating Income. Operating income (loss) by business segment for the first nine months of 2004 and 2003 was:

	Nine Months Ended	
	October 3, 2004	Sept. 28, 2003
	(Millions)	
Specialty chemicals.....	\$ 121.6	\$ 96.7
Industrial chemicals.....	(2.3)	(5.3)
Mineral products.....	13.6	12.2
Total segment operating income.....	132.9	103.6
Unallocated corporate office items.....	(0.5)	0.1
Operating income.....	\$ 132.4	\$ 103.7
	=====	=====

Operating income for the first nine months of 2004 was \$132.4 million compared with \$103.7 million in the first nine months of 2003. Excluding the other operating charges discussed above, operating income increased 26% to \$132.4 million from \$105.2 million in the first nine months of 2003 (see "Non-GAAP Financial Measures" below).

Operating income for the specialty chemicals segment was \$121.6 million for the first nine months of 2004 compared with \$96.7 million in the first nine months of 2003. On a comparable basis, excluding the aforementioned charges pertaining to specialty chemicals, operating income for the segment improved 24% to \$121.6 million compared with \$97.8 million in the first nine months of 2003. The improved results were attributable to higher unit volumes in the personal care and performance chemicals product lines and an improved product mix and manufacturing efficiencies achieved in the fine chemicals product line. Operating income for the specialty chemicals segment in the first nine months of 2004 was also favorably impacted by the weaker U.S. dollar (\$13.0 million) and, to a lesser extent, by the contribution to income from the three specialty chemical niche acquisitions made during the first quarter of 2004 (see "-Liquidity and Financial Condition" below).

The industrial chemicals segment recorded an operating loss of \$2.3 million in the first nine months of 2004. Excluding the aforementioned other operating charges in the first nine months of 2003 pertaining to industrial chemicals, the operating loss in the first nine months of 2003 was \$5.1 million. The lower losses were attributable to higher unit volumes and

manufacturing efficiencies, partially offset by the adverse impact of the stronger Euro on European-based manufacturing costs.

Operating income for the mineral products segment was \$13.6 million in the first nine months of 2004. On a comparable basis, excluding other operating charges in the first nine months of 2003 pertaining to mineral products, operating income was \$12.4 million for the first nine months of 2003. The improvement in operating income was due to the favorable impact of higher unit volumes and favorable pricing, partially offset by increased manufacturing costs and higher freight and distribution expenses.

Interest Expense. Interest expense for the first nine months of 2004 was \$39.4 million compared with \$39.7 million in the same period in 2003. The lower interest expense was attributable to lower average interest rates (\$1.5 million impact), partially offset by higher average borrowings (\$1.2 million impact), both as a result of the refinancing of our senior secured credit facility in April 2004 (see "-Liquidity and Financial Condition" below).

Other Expense, net. Other expense, net, comprises foreign exchange gains/losses resulting from the revaluation of foreign currency-denominated accounts receivable and payable as a result of changes in exchange rates, and other nonoperating items of expense. Other expense, net, was \$6.1 million in the first nine months of 2004 compared with \$1.9 million in the first nine months of 2003. The higher expense in the first nine months of 2004 was due to unfavorable foreign exchange.

Income Taxes. In the first nine months of 2004, we recorded a provision for income taxes of \$30.2 million. Our effective tax rate for the first nine months of 2004 and 2003 was 34.8% and 35.0%, respectively.

Business Segment Review

A discussion of operating results for each of our business segments follows. We operate our business through four reportable business segments:

specialty chemicals; industrial chemicals; synthetic elastomers; and mineral products. The operating income for the first nine months of 2003 for each business segment discussed below is adjusted for the non-GAAP financial measures in the table below.

Non-GAAP Financial Measures

The business segment review below and the discussion of operating income above contain information regarding non-GAAP financial measures contained within the meaning of Item 10 of Regulation S-K promulgated by the Securities and Exchange Commission. As used herein, "GAAP" refers to U.S. generally accepted accounting principles. We use non-GAAP financial measures to eliminate the effect of certain other operating gains and charges on reported operating income. Management believes that these financial measures are useful to bondholders and financial institutions because such measures exclude transactions that are unusual due to their nature or infrequency and therefore allow bondholders and financial institutions to more readily compare our company's performance from period to period. Management uses this information in monitoring and evaluating our company's performance and the performance of individual business segments. The non-GAAP financial measures included herein have been reconciled to the most directly comparable GAAP financial measure as is required under Item 10 of Regulation S-K regarding the use of such financial measures. These non-GAAP financial measures should be considered in addition to, and not as a substitute, or superior to, operating income or

other measures of financial performance in accordance with U.S. generally accepted accounting principles.

	Nine Months Ended	
	October 3, 2004	September 28, 2003
	(Millions)	
Reconciliation of non-GAAP financial measures:		
Operating income per GAAP.....	\$ 132.4	\$ 103.7
Non-GAAP adjustments:		
Add: Other operating charges(1).....	-	1.5
Operating income as adjusted.....	\$ 132.4	\$ 105.2
	=====	=====
Supplemental Business Segment Information:		
Operating income (loss):		
Operating income per GAAP - Specialty Chemicals....	\$ 121.6	\$ 96.7
Non-GAAP adjustments (1).....	-	1.1
Operating income - Specialty Chemicals as adjusted..	\$ 121.6	\$ 97.8
	=====	=====
Operating loss per GAAP - Industrial Chemicals....	\$ (2.3)	\$ (5.3)
Non-GAAP adjustments (1).....	-	0.2
Operating loss - Industrial Chemicals as adjusted..	\$ (2.3)	\$ (5.1)
	=====	=====
Operating income per GAAP - Mineral Products.....	\$ 13.6	\$ 12.2
Non-GAAP adjustments (1).....	-	0.2
Operating income - Mineral Products as adjusted....	\$ 13.6	\$ 12.4
	=====	=====
Total segment operating income as adjusted.....	\$ 132.9	\$ 105.1
Unallocated corporate office per GAAP.....	(0.5)	0.1
Operating income as adjusted.....	\$ 132.4	\$ 105.2
	=====	=====

(1) Non-GAAP adjustments for the first nine months of 2003 represent an other operating charge of \$1.5 million for stock option payments related to ISP's going private transaction.

Specialty Chemicals

Sales in the first nine months of 2004 were \$533.0 million compared with \$470.4 million for the same period in 2003. The 13% increase in sales was mainly attributable to higher unit volumes (\$52.0 million), primarily in the personal care and performance chemicals product lines. The favorable impact of the weaker U.S. dollar (\$19.3 million), primarily in Europe, also benefited sales. The personal care product line experienced strong volume growth in each of its skin care and oral care markets in Europe and North America. Sales for the performance chemicals, food and personal care product lines also benefited from the three acquisitions made during the first quarter of 2004.

Operating income for the specialty chemicals segment was \$121.6 million for the first nine months of 2004 compared with \$96.7 million in the first nine months of 2003. On a comparable basis, excluding the aforementioned other operating charges pertaining to specialty chemicals, operating income for the segment improved 24% to \$121.6 million compared with \$97.8 million in the first nine months of 2003. The improved results were attributable to the favorable effect of higher unit volumes (\$31.3 million), primarily in the personal care and performance chemicals product lines, and an improved product mix and manufacturing efficiencies achieved in the fine chemicals product

line. Operating income for the specialty chemicals segment in the first nine months of 2004 was also favorably impacted by the weaker U.S. dollar (\$13.0 million) and, to a lesser extent, from the contribution to income from the three acquisitions made during the first quarter of 2004. Partially offsetting these favorable factors was unfavorable pricing (\$8.7 million), higher manufacturing costs in product lines other than fine chemicals (totaling \$6.4 million) and higher selling and distribution expenses (\$7.4 million) resulting from the higher sales levels.

Industrial Chemicals

Sales in the first nine months of 2004 were \$148.3 million compared with \$128.5 million in the first nine months of 2003. The 15% increase in sales was attributable to higher unit volumes (\$12.7 million) and the favorable effect of the weaker U.S. dollar (\$6.5 million).

The industrial chemicals segment recorded an operating loss of \$2.3 million in the first nine months of 2004. Excluding the aforementioned other operating charges in the first nine months of 2003 pertaining to industrial chemicals, the operating loss in the first nine months of 2003 was \$5.1 million. The lower losses were attributable to the higher unit volumes and manufacturing efficiencies (totaling \$6.2 million), partially offset by the adverse impact of the stronger Euro on European-based manufacturing costs (\$4.2 million).

Mineral Products

Sales for the Mineral Products segment for the first nine months of 2004 were \$100.1 million compared with \$78.3 million for the first nine months of 2003. The 28% increase was due to higher unit volumes (\$19.6 million) as a result of industry-wide growth and included 24% higher sales to BMCA.

Operating income for the mineral products segment was \$13.6 million in the first nine months of 2004. On a comparable basis, excluding other operating charges in the first nine months of 2003 pertaining to mineral products, operating income was \$12.4 million for the first nine months of 2003. The 10% improvement from the third quarter of 2003 was primarily due to the impact of the higher unit volumes and favorable pricing (totaling \$5.9 million), partially offset by increased manufacturing costs and higher freight and distribution expenses (totaling \$4.7 million).

LIQUIDITY AND FINANCIAL CONDITION

Cash Flows and Cash Position

During the first nine months of 2004, our net cash flow before financing activities was \$11.7 million, including \$86.6 million of cash generated from operations, partially offset by the reinvestment of \$74.9 million for capital programs and acquisitions.

Operating Activities. Net cash generated from operating activities totaled \$86.6 million for the first nine months of 2004, compared with \$57.8 million in the first nine months of 2003. Cash from operations for the first nine months of 2004 included a cash investment of \$40.5 million in additional working capital, including a \$37.8 million increase in receivables as a result of higher sales and a \$5.8 million net decrease in payables and accrued

liabilities, partially offset by a \$2.8 million decrease in inventories. Operating activities also included a \$5.2 million cash outflow from related party transactions, principally due to increased receivables from BMCA as a result of higher sales of mineral products to BMCA.

Investing Activities. Net cash used in investing activities in the first nine months of 2004 totaled \$74.9 million. Capital expenditures in the first nine months of 2004 were \$46.3 million compared with \$42.4 million in the first nine months of 2003. During the first nine months of 2004, we completed three acquisitions in Europe to further enhance our global specialty chemicals business. The purchase price of these acquisitions totaled \$27.3 million in cash.

Financing Activities. Net cash used in financing activities in the first nine months of 2004 totaled \$32.7 million. In April 2004, we dividended a total of \$106.2 million to our parent company, International Specialty Holdings Inc., including cash dividends of \$67.2 million. In connection with these dividends, our total long-term loan receivable of \$39.0 million from a related party was eliminated. Financing activities also included a cash inflow of \$31.2 million from a refinancing of our senior secured credit facilities (see below) and \$15.0 million in short-term borrowings from a related party, partially offset by an increase of \$7.8 million in a loan to a related party. In April 2004, we borrowed a total of \$34.0 million from a subsidiary of our parent company pursuant to two note agreements. One loan, for \$30.0 million, has a maturity date of October 30, 2004, and the second loan, for \$4.0 million has a maturity date of April 30, 2005. Interest is payable on each loan at the rate of 1.65% per annum. The balance of these loans outstanding at October 3, 2004 was \$15.0 million, which was repaid in October 2004.

On April 2, 2004, we and three of our wholly owned subsidiaries amended and restated our June 2001 \$450.0 million senior secured credit facilities, which we refer to as the "Senior Credit Facilities" in order to extend the term, increase future flexibility and reduce the effective interest rate on borrowings. The Senior Credit Facilities provide a \$250.0 million term loan with a maturity in March 2011, which replaced the \$225.0 million term loan that was due to mature in June 2008. In connection therewith, we borrowed an additional \$31.2 million to bring the outstanding balance of the term loan to \$250.0 million. The Senior Credit Facilities reduced the margin-based interest rate for term loan borrowings and amended financial covenant ratios, including the elimination of the minimum adjusted net worth covenant.

On April 15, 2004, the \$225.0 million revolving credit facility under the Senior Credit Facilities, which was to terminate in June 2006, was reduced to \$200.0 million, including a borrowing capacity not in excess of \$50.0 million for letters of credit, and the maturity was extended to April 15, 2009. In addition, the margin-based interest rate for revolving credit borrowings was reduced.

As a result of the foregoing factors, cash and cash equivalents decreased by \$21.2 million during the first nine months of 2004 to \$35.2 million.

Current Maturities of Long-Term Debt

As of October 3, 2004, our current maturities of long-term debt, scheduled to be repaid during the twelve month period ended September 2005, totaled \$3.0 million, including \$2.5 million related to the term loan under

the Senior Credit Facilities. In addition, as discussed above, we have short-term loans payable to a related party totaling \$15.0 million.

Operating Lease Obligation

We entered into an operating lease in 1998 for an equipment sale-leaseback transaction related to equipment at our Freetown, Massachusetts facility. The lease had an initial term of four years and, at our option, up to three one-year renewal periods. The third and final renewal option was exercised during the first quarter of 2004. The lease provides for a substantial guaranteed payment by us, adjusted at the end of each renewal period, and includes purchase and return options at fair market values determined at the inception of the lease. We have the right to exercise a purchase option with respect to the leased equipment, or the equipment can be returned to the lessor and sold to a third party. It is our current intention to exercise the purchase option and to maintain the Freetown plant and business, and we will be evaluating financing alternatives in that regard. Upon exercise of the purchase option in the first quarter of 2005, we will be obligated to pay a fixed purchase price of \$33.6 million.

Contractual Obligations

A contract with a multinational supplier to supply a substantial amount of our acetylene needs to our Texas City, Texas facility expired in March 2004. As a result, we reduced our acetylene requirements at the Texas City plant by 50% through shifting production of acetylene-consuming products to our Calvert City, Kentucky plant. We also entered into a long-term supply contract for the remaining Texas City plant requirements with a local producer. Under this contract, we are obligated to purchase specified quantities of acetylene through the end of 2013. Pricing under this contract is on a fixed basis with escalators related to changes in the Producer Price Index.

We also have an acetylene supply contract for our requirements of acetylene delivery via pipeline to our Calvert City facility. The current term of this contract expires December 31, 2009 and allows us, at our sole option, to extend the agreement for two additional terms of five years each. We are required by the contract to pay a monthly non-cancelable facility fee. Pricing under the contract is on a fixed basis with escalators related to changes in the Producer Price Index.

The annual unconditional purchase obligation related to the long-term acetylene supply contract at the Texas City plant, together with the non-cancelable facility fee associated with the Calvert City plant acetylene contract is \$5.1 million.

Contingencies

See Note 14 to consolidated financial statements for information regarding contingencies.

New Accounting Standards

In December 2003, the Financial Accounting Standards Board issued a revised FASB Interpretation No. 46R, which we refer to as "FIN 46R," "Consolidation of Variable Interest Entities," replacing FIN 46 which had originally been issued in January 2003. FIN 46R addresses how a business enterprise should evaluate whether it has a controlling financial interest in

an entity through means other than voting rights and accordingly should consolidate the entity. We will be required to apply FIN 46R to variable interests in variable interest entities created after December 31, 2003. Our company does not currently have an interest in a variable interest entity. Therefore, FIN 46R will not have an immediate impact on our consolidated financial statements.

In May 2004, the FASB issued FASB Staff Position, which we refer to as "FSP," No. FAS 106-2 to provide guidance on accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which we refer to as the "Act" for employers that sponsor postretirement health care plans which provide prescription drug benefits. In addition, the FSP requires those employers to provide certain disclosures in their financial statements regarding the effect of the Act and the related subsidy on postretirement health obligations and net periodic postretirement benefit cost. We adopted the provisions of FSP FAS No. 106-2 effective for the quarterly period beginning July 5, 2004. The impact on our financial statements was insignificant.

* * *

Forward-looking Statements

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are only predictions and generally can be identified by use of statements that include phrases such as "believe", "expect", "anticipate", "intend", "plan", "foresee" or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. Our operations are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. The forward-looking statements included herein are made only as of the date of this Quarterly Report on Form 10-Q and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances. No assurances can be given that projected results or events will be achieved.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003, for a discussion of "Market-Sensitive Instruments and Risk Management." At December 31, 2003 and October 3, 2004, there were no equity-related financial instruments employed by us to reduce market risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures: Our management, with the participation of our Chief Executive Officer (principal executive officer) and Vice President and Controller (principal financial officer), conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Vice President and Controller have each concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports filed, furnished or submitted under the Exchange Act.

Internal Control Over Financial Reporting: There have not been any changes in our internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibits:

Exhibit Number

31.1 Rule 13a-14(a)/Rule 15d-14(a) Certification of the Principal Executive Officer.

31.2 Rule 13a-14(a)/Rule 15d-14(a) Certification of the Principal Financial Officer.

32.1 Certification pursuant to 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ISP CHEMCO INC.
ISP CHEMICALS INC.
ISP MINERALS INC.
ISP TECHNOLOGIES INC.**

DATE: November 17, 2004

BY: /s/ Sunil Kumar

Sunil Kumar
President and Chief Executive Officer
(Duly Authorized Officer)

DATE: November 17, 2004

BY: /s/Kenneth M. McHugh

Kenneth M. McHugh
Vice President and Controller
(Principal Financial and Chief
Accounting Officer)

CERTIFICATION

I, Sunil Kumar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ISP Chemco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 17, 2004

/s/ Sunil Kumar

Name: Sunil Kumar

Title: President and Chief Executive Officer

CERTIFICATION

I, Kenneth M. McHugh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ISP Chemco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 17, 2004

/s/ Kenneth M. McHugh

Name: Kenneth M. McHugh

Title: Vice President and Controller

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of ISP Chemco Inc. (the "Company") for the quarterly period ended October 3, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Sunil Kumar, as President and Chief Executive Officer of the Company and Kenneth M. McHugh, as Vice President and Controller of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sunil Kumar

Name: Sunil Kumar
Title: President and Chief Executive Officer

Date: November 17, 2004

/s/ Kenneth M. McHugh

Name: Kenneth M. McHugh
Title: Vice President and Controller

Date: November 17, 2004

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.